

IRS



Fact Sheet

Media Relations Office

Washington, D.C.

Tel. 202.622.4000

For Release: April 2001

Release No: FS-2001-07

FY 2002 INTERNAL REVENUE SERVICE BUDGET REQUEST

Total Budget Request

For FY 2002, the IRS is requesting resources totaling **\$9.276 Billion and 99,116 FTE**. This request is \$580 million more than the \$8.696 billion (adjusted for .22% rescission) in funding provided by the Congress in FY 2001. In addition, the IRS is requesting \$146 million and 2,236 FTE in funding (an increase of only \$1 million over FY 2001) outside the spending caps for the Earned Income Tax Credit (EITC) appropriation.

Budget Increases

Most of this increase, \$325 million, maintains the momentum needed for the Business Systems Modernization technology effort underway at IRS. Apart from this technology investment, the remaining increase is only 2.9% greater than FY 2001 and is necessary to finance hiring the remainder of the staff for the STABLE initiative that was approved by Congress in the FY 2001 appropriation.

The budget request is in two broad management categories: (1) **Maintaining Current Operations** and (2) **Modernization**. The FY 2002 submission requests the following increases:

FY 2002 IRS Budget Request (\$ in Millions)			
<i>Appropriation:</i>	<i>FY 2001</i>	<i>FY 2002</i>	<i>Diff</i>
Processing, Assistance & Mgmt.	\$3,658	\$3,783	\$125
Tax Law Enforcement	\$3,398	\$3,533	\$135
Information Systems	\$1,568	\$1,563	-\$5
Investment Technology Account	\$72	\$397	\$325
TOTAL IRS--inside Caps Dollars (with rescission) FTE	\$8,696 97,273	\$9,276 99,116	\$580 1,843
EITC--outsideCaps Dollars FTE	\$145 2,236	\$146 2,236	\$1 0
TOTAL Proposed IRS Dollars FTE	\$8,841 99,509	\$9,422 101,352	\$581 1,843

Increases to Maintain Current Operations

Maintain Current Services Level (MCL) -- \$325 million to maintain

FY 2001 program levels in FY 2002 by funding pay, benefits, and non-labor inflationary costs.

Staffing Tax Administration for BaLance and Equity (STABLE) Initiative Annualization -- \$86 million and 1,822 FTE to stabilize and strengthen tax compliance and customer service programs in FY 2002.

Counter Terrorism Annualization -- \$1.4 million and 21 FTE to complete funding for the IRS Criminal Investigation portion of the National Counter Terrorism Initiative.

Program Offset – (-\$57) million offsets projected inflation for non-pay expenditures, as well as a variety of other non-discretionary cost increases. It is believed that such costs can be offset through improved resource management.

Increases for Modernization

Business Systems Modernization -- \$325 million increase over the \$72 million appropriated in FY2001 for a total of \$397 million for (formerly the Information Technology Investment Account (ITIA)) IRS Business System Modernization (BSM). This appropriation provides for reengineering business practices and acquiring new technology. The Agency is using a formal methodology to prioritize, approve, fund, and evaluate its portfolio of BSM investments. This methodology enforces a documented, repeatable, and measurable process for managing investments throughout their life cycle. Investment decisions are approved by the IRS Core Business System Executive Steering Committee, chaired by the Commissioner.

Organizational Modernization Non Recur -- Costs for organizational modernization are peaking in FY 2001, and will decline by \$101 million in FY 2002. In FY 2002, the \$101 million non-recur reflects reduced costs for modification of information systems, employee buyouts and moving expenses, and some contracts, training and operating travel.

Earned Income Tax Credit

The IRS is requesting \$146 million and 2,236 FTE. This is the fifth year for this account, which is funded outside the spending caps and shown separately in the overall Treasury request. The account provides for expanded customer service and public outreach programs, strengthened enforcement activities, and enhanced research efforts to reduce overclaims and erroneous filings associated with EITC.

The STABLE Initiative

In recent years, the Service has experienced a decline in compliance and enforcement activities due to a number of factors. An absolute decline in the Service's total staffing levels, combined with annual growth in return filings and related activities has necessitated a shift of staff resources from these activities to customer service areas. In addition, provisions contained within the RRA '98 resulted in additional work and the need for more FTEs, in certain areas of IRS activity.

The STABLE initiative (**Staffing Tax Administration for BaLance and Equity**) was designed to stabilize and strengthen tax compliance and customer service programs. The initiative will boost staff in Field Offices, where IRS employees provide direct, in-person service to taxpayers; and Service Center/Call Sites, where service is typically provided via telephone and correspondence. Hiring requirements for

the Field Offices have been determined based on projected workload in the office's geographic area, and existing staff capabilities. Conversely, Service Center/Call Site workload is planned on a nationwide basis due to the nature of the work, and staffing allocations are based upon physical space and local labor market conditions around the center in question. Either of these projections may be modified to best suit our customers' needs as the year progresses, based on workload and customer demand.

The \$140.7 million provided by Congress in FY 2001 will allow the Internal Revenue Service to fund approximately 2,036 FTEs – the equivalent of 3,858 new personnel. Carried forward into FY 2002, these personnel will have an added cost of \$86.4 million for the annualization of the 3,858 FTEs. This annualization represents a small component of the budget increase – which is itself only 2.9% over FY 2001, excluding FY 2002 technology investments. However, it also represents one of the most critical components of the budget request as it is necessary to finance the full cost of the STABLE Initiative staff approved by Congress in the FY 2001 appropriation and included in the President's Blueprint for FY 2002.

IRS will continue to handle workload increased by the economic boom of the past decade and by the added provisions of RRA '98 with a net staffing level 15,000 FTEs fewer than the Service operated with in FY 1993. With future workload expected to grow at approximately 1.8% per year, IRS will be under a great deal of pressure to improve customer service standards while simultaneously enforcing the nation's tax laws. Fortunately, the investment in new technology and initiatives such as STABLE will permit IRS to meet these rising workload levels through continuous productivity increases.

X X X